

Frequently Asked Questions

These are frequently asked questions regarding the City of Fairfax's possible agreement with Fairfax County Water Authority (Fairfax Water). For more information, e-mail Robert.Sisson@fairfaxva.gov or call 703-385-7850.

1. Where does city water come from?

The city operates a water treatment plant on Goose Creek in Loudoun County.

2. Where does Fairfax County Water Authority's supply come from?

Fairfax County Water Authority (Fairfax Water) operates two plants: on the Occoquan Reservoir and the Potomac River.

3. Which provides the higher quality water?

Both meet or exceed state and federal standards. Fairfax Water's plants offer the latest-generation treatment technology. The city's plant has conventional treatment processes — but cannot fully match the level of "purity" regarding certain disinfection by-product standards. Even after the proposed upgrades, the city's plant will not offer the latest technology currently provided by Fairfax Water.

4. What are the advantages of changing to Fairfax Water?

Mostly, it is future capital cost savings for customers. With fewer customers supporting the city's system, annual rate increases will outpace those of Fairfax Water. The proposal is to join a larger regional system to avoid sharply rising rates, by comparison.

5. What are the advantages of the city retaining its water system?

Some residents (1) feel the city's water system is integral to its history and sense of pride and independence, (2) feel that city-provided water services will be better and (3) prefer retaining and controlling Goose Creek as a water source versus using the Potomac.

6. Why is "economy of scale" a primary consideration?

Fairfax Water is the largest water provider in Virginia with the least expensive water: its fixed costs are spread over a population of 1.7 million (versus the city's current customer population of 40,000).

7. Which system is better in the event of a drought?

They are equal in this regard.

8. If the city changes to Fairfax Water, are customers guaranteed sufficient water?

Yes.

9. Will city customers notice changes in water taste?

Possibly. The water sources are different, and taste also can be affected by seasonal variations in water chemistry. The city has delivered Fairfax Water's water to its customers periodically in the past, and customers have not reported any difference.

10. Will there be a change in service with Fairfax Water?

Fairfax Water would provide maintenance, meter-reading and new water line installation.

11. Will the city's sewer system be impacted?

No. The sewer system will continue to operate as it currently does. It is important to note the city decided to "buy-in" to Fairfax County's sewer treatment facility decades ago, thereby choosing a more cost-effective approach.

12. What happens if the water system is sold?

The city's property in Loudoun County would be sold and the city water distribution assets (pipes, storage, etc.) would be sold to Fairfax Water. The proceeds of these sales would be used to convert to the Fairfax Water system.

13. What if the city decides to stay in the water business?

The city will continue to produce and distribute its own drinking water with no change in service. Litigation between the city and Fairfax County will move forward with an uncertain result. The city will invest \$45 million in needed improvements to its system. Water rates will rise at a faster rate than previously experienced due to the shrinking customer base and the system's high capital costs.

14. Is it certain that Loudoun County will purchase the existing treatment plant and reservoir facilities?

The city and Loudoun Water are in the process of discussions with regard to the sale of the facilities. These discussions are at an appropriate point, given the relatively sudden developments that have transpired as a result of the federal court mediation. Neither the city nor Loudoun Water is at the point where any announcements can be made given the status of the talks. There is strong interest by both parties and talks are progressing.

15. If Loudoun County does not buy these facilities, will Fairfax Water buy them?

As a result of the mediation process with the federal court, it is reasonable to assume that one or the other of the two water authorities will be interested in purchasing the city's facilities.

16. Why is a "buy-in" to Fairfax Water necessary? Isn't Fairfax Water receiving the existing pipes, meters and supply towers as, essentially, a gift —along with 8,000 new customers?

The proposed agreement requires the city to pay Fairfax Water its required rate for the amount of capacity required by the city customers. This rate is what is charged to everyone who wants to purchase capacity in the Fairfax Water system. As part of the proposed agreement, Fairfax Water also must pay the city for its water tanks, pipes and meters.

17. Why should the city pay Fairfax Water to become a customer of the Fairfax Water system?

It is customary water utility policy, including that currently of the city's water utility, for there be a two-tier charge for new water customers: one for a "capacity" charge, or the right to access the water system in perpetuity, and one for actual water used. (A *capacity charge* is a one-time charge when new properties establish water service, sometimes called a "hook-up fee" or "buy-in fee.") For each new house or for every house in a new subdivision, or for each new building constructed, there is a water charge consisting of both components. In essence, then, the entire group of existing city water customers is a proposed new water "customer" of Fairfax Water and the city is considering an arrangement with Fairfax Water to provide the necessary water system capacity for those customers. The water customers of Fairfax Water previously have paid for the extra water capacity that the city water customers will need and, therefore, Fairfax Water must recapture the cost of that capacity.

As mentioned above, the flip side of the arrangement is that the city also will recapture the value of its water infrastructure from Fairfax Water. If such an agreement is reached, each city resident's property and each commercial property currently receiving water service will have, in effect, the same perpetual access to

the Fairfax Water system as it now has in the city's system. New homes or properties needing new water service in the city in the future will have to pay the water capacity charge to Fairfax Water similar to what they otherwise would have paid to the city.

18. Why would the conversion to Fairfax Water take three years?

Technically, the conversion itself would not take three years. This is one of the agreed-upon terms of the mediation process: city customers would maintain a level water rate for three years — and, in the fourth year, rates would be lowered to the Fairfax Water rates. By keeping the city's rates level, city customers would avoid rate increases that would otherwise be necessary.

19. The graph “Annual Average Projected Residential Water Bill 2013-18” shows the residential city water cost at \$894 after five years. What was the compound rate assumed?

The projected annual cost of \$894 is not based on a simple compounded rate. The 2018 annual cost of water assumes debt service payments on \$45 million in capital improvements, the loss of Loudoun Water as a customer, a significant reduction in the GMU rate (in order to keep it as a customer) and a reduced rate charged county customers of the city (as a result of the ordinance passed by the Fairfax County Board). For illustration purposes, the graph shows the cost progression smoothed.

20. Why doesn't the graph show an immediate drop to the lower Fairfax Water rate in the fourth year, rather than a gradual decline?

The graph *does* show an immediate drop in the projected water rate from Fairfax Water in year four. The slope is intended to reflect the drop.

21. Is it accurate to assume city water customers will be paying Fairfax Water an average of \$3.56 per 1,000 gallons for water service?

At this stage of discussions, there are no absolute numbers; however, current projections fairly represent the status of the two alternatives and can be relied upon to reflect the cost differences.

This proposal is based on good faith projections based on what we know today. We cannot know fully the details of all of the discussions that will transpire between the city and Fairfax Water or Loudoun Water over the coming months that will result in a final contract. The city's water proposal is based on the status of the mediation between the parties, overseen by a federal magistrate, and is expressed in broad terms. There will be minor adjustments going forward.

22. Which jurisdiction would maintain the sewer lines, if the city converts to Fairfax Water services?

The city is assumed to continue to maintain its own sewer system. The city's wastewater is treated by Fairfax County under a contractual relationship.

23. Will there be separate billing for water and sewer? Won't that increase costs?

Such details have not yet been worked through — however, the billing procedure will not materially change cost projections.

24. What happens with the city's Water Fund employees?

All impacted employees will be given the opportunity to work for Fairfax Water and will be kept "whole" to the maximum extent possible. Such employees will be employed for a three-year period minimum, unless released for cause. Some employees may seek employment with other departments of the city, as well.

25. My utility bill from the city seems to be more expensive on an annual basis than what is shown on the graph in the "Crossroads" brochure. Why?

Utility bills currently sent to city customers include both water and sewer charges. The brochure addresses only a change in the water system.

26. What is the "framework" of a proposed final agreement that could result in the city converting to Fairfax Water for water service?

The valuation of the city water assets (in the city, in Fairfax County, and in Loudoun County) by the parties to the lawsuit (the City of Fairfax, Fairfax County, Fairfax Water) was the focus of the mediation process driven by the federal court. The values that were established by each of the parties were made with the understanding that each was in a unique position (i.e., this was not a bid process nor an open market process). To illustrate, the city's non-Loudoun water assets can only reasonably be bought by one buyer: Fairfax Water. Similarly, the city's opportunity to achieve much lower water rates for its customers can only be achieved by joining Fairfax Water. After lengthy mediation sessions, and significant back and forth led by the Magistrate Judge, the parties reached a framework for a final agreement, as presented below.

The value of the city's entire water assets (except those located in Loudoun County), as determined through the mediation process, is \$19 million. The cost to the city to "buy-in," or convert to, Fairfax Water is \$39 million. This leaves a remainder of \$20 million due from the city. The remaining step is to arrive at a value for the city's facilities located in Loudoun County. Discussions regarding the value of the Loudoun facilities were not part of the mediation process.

The city's recent discussions with Loudoun Water indicate it is very interested in the city's Loudoun County facilities. The city expects to receive about \$30 million for those assets. This sale would enable the city to have about \$10 million remaining at the conclusion of the transactions to apply to existing debt, reduce future water rates, etc.

Discussion with Loudoun Water is in a preliminary phase; therefore, the city cannot make any announcements guaranteeing the results of those discussions.

27. Calculations in the graph “Annual Average Projected Residential Water Bill 2013-18” are based on 96,000 gallons of water used per year. What is the estimated average water use of a one-person household? And what is the annual savings for an average one-person household if the city converts to Fairfax Water?

Average water use for a one-person household is 28,000 gallons per year. The annual savings for a one-person household is \$138 — that’s the difference between the annual cost for retail water service from the city (\$261) versus Fairfax Water (\$123).

28. What has changed to bring this issue up again, after water customers and the city decided last spring to stay in the water business?

Three major changes occurred since last spring:

- Fairfax County passed an ordinance to stipulate rates the city could charge county residents for water service (possibly as low as Fairfax Water’s rates);
- The city was unable to extend an emergency agreement for water supply from Fairfax Water; and
- The city negotiated a lower water rate for George Mason University to prevent the school from transferring as a retail customer to Fairfax Water.

29. Why can’t the city become a wholesale customer of Fairfax Water, which would allow us to keep the utility intact and maintain the employees?

The city has spent two years studying that option, and found the cost of wholesale service is twice as expensive for city water customers than the cost of retail service.

As a wholesale customer, the city would purchase water only from Fairfax Water and distribute it through our own facilities. However, the cost of maintaining the city’s Loudoun County facilities is very high. Additionally, other factors will increase water rates for city residents and businesses, such as: the negotiated water contract rates for George Mason University, the loss of Loudoun County customers in 2018 and the Fairfax County water ordinance regarding county customer rates.

30. Why is the city not pursuing a lawsuit?

The city initiated a lawsuit between itself and Fairfax County, with other affected jurisdictions. (Fairfax Water joined the suit later.) However, the city realized it was better to mediate a settlement with a known outcome rather than continue with the lawsuit with an unknown outcome.

Had the city pursued a lawsuit, there was a possibility the county ordinance would be upheld, which would give Fairfax County the power to stipulate rates the city could charge county residents for water service (possibly as low as Fairfax Water's rates). During the mediation, the city negotiated the framework for a settlement that appears to be in the best financial interest of all water customers. As a result, the City Council felt compelled to accept the framework — provided that city customers (residents and business) accept the framework. The City Council remains free to reject the mediated framework.

31. Will the city be financially responsible to cover capital improvement project (CIP) costs Fairfax Water deems necessary to the water system, such as when Fairfax County upgraded its wastewater system, which cost the city more than \$20 million?

No. The city will not be held financially responsible for Fairfax Water's CIP costs. Water customers would be responsible for CIP upgrades for treatment, storage and transmission that are directly related the geographical area served — and current Fairfax Water CIP does not project additional charges for this for at least the next six years (barring substantial emergency repair). From day one, the transferred service area will have the same financial protection that all Fairfax Water customers currently enjoy: each customer shares CIP responsibilities among a larger population base. (In fact, the city was successful in rejecting a provision whereby the current service area would be surcharged if a major incident occurred, resulting in damage to the newly acquired pipeline and storage system.)

32. Fairfax Water uses chloramines to disinfect the water, which studies show cases lead from pipes to leach into the drinking water. The city uses chlorine, which does not. Some older homes in the city use pipes that contain lead. Since homeowners are responsible for the water pipes from the water main to the house, won't these customers have to upgrade their plumbing at their own expense?

Recent studies find that chloramines influence the leaching of lead in pipelines — but also that water chemistry differs in pipelines due to chemical properties of the water and the material of the pipelines. Fairfax Water provides water to more than 1.7 million consumers and consistently meets the Safe Drinking Water Act's stringent Action Level for lead and copper to the same, if not better, level than the Goose Creek facility and related distribution system. (The action level for lead is 15 parts per billion; Fairfax Water averages less than 10 parts per billion.)

33. The city's water system contributes money into the general fund. If the water system is eliminated, how will the city make up that financial loss?

The Water Fund pays the General Fund for certain water-related services that are necessary to operate the water utility – and some of those charges will be eliminated or reduced if the city no longer has a water system to support. How the city will replace the balance of those funds that support other city programs is a question the Mayor and City Council will need to address.

34. Why weren't we given a chance to vote on this issue?

As part of the mediation process, the judge required the city to respond to the proposed mediation agreement within 60 days – which does not allow time for a vote. Additionally, a vote is not required by law on this matter. However, the city is aggressively seeking citizen input with public hearings, public outreach and other communication opportunities.

35. Do employees have an "enforceable guaranteed employment agreement" from Fairfax Water when they transfer from the city?

Fairfax Water has provided the framework to re-employ all of the City employees for at least three years and to keep employees "whole," or provide equity for employees (as related to salaries, benefits, retirement plans) as they move from the city to the county's employment. Such details are being discussed and, upon completion, must be approved by the City Council.

36. Is there documentation to show how these projected price increases were calculated? The city shows a 9.5 percent cost increase this year, when the increase in during past couple of years has been only 7.5 percent.

The main rationale for a 9.5 percent increase is to help pay for the CIP costs should the city undertake the full \$45 million program at Goose Creek. If so, 9.5 percent will be required for at least seven years to pay for the loans.

37. What are Endocrine Disrupting Compounds and will there be more of these compounds in the Potomac than in the Goose Creek supply we currently use?

Endocrine Disrupting Compounds (EDCs) are synthetic chemicals that may interfere with the human body's endocrine system; a system composed of glands that produce hormones to regulate normal body functions, including metabolism, fertility, growth, and human development. EDC substances are largely man-made and include solvents, lubricants, plastics, pesticides, herbicides, and antibacterial compounds. Certain EDCs are known to occur naturally in food.

A good summary, with scientific references, is provided by the Hormone Foundation in the following publication:

<http://www.hormone.org/upload/edc-final.pdf>

In the last two decades there has been a growing interest in EDCs because they are now found throughout the environment; in soil, air, water. High levels of certain EDCs are known to cause hormonal issues in humans. Low levels of certain EDCs have also been known to affect animals prompting scientists to measure possible effects in humans. Because people are exposed to chemicals throughout their lives, it is very difficult to assign cause and effect to particular sources, especially at low levels.

Because of widespread exposure at low levels, the Environmental Protection Agency is very interested as evidenced by recent studies conducted for the EPA. However, there are no drinking water regulations regarding EDCs presently.

Fairfax Water has investigated the presence of certain EDCs in the Potomac River over the past decade, the presence of which has been reported in low concentrations:

http://www.fairfaxwater.org/current/monitoring_program.htm

Testing the waters of Goose Creek is not required, yet the presence of agriculture, septic tanks, and sub-urbanization activities on the Goose Creek will certainly be a contributing factor towards the presence of EDCs within that watershed. Prevention of EDC transmission via drinking water is of paramount importance. As such, Fairfax Water has added two water treatment processes that act as a barrier to reduce or eliminate EDCs from the drinking water. These processes; ozonation, and granular activated carbon filtration, are highly effective.

Further information regarding EDCs in drinking water can be found in the Environmental Protection Agency website:

<http://www.epa.gov/scipoly/oscpendo/pubs/edspoverview/primer.htm>

and the following report:

http://environmentalhealthcollaborative.org/images/91238_Toxicological_Relevance.pdf

38. Why is the City not pursuing the lawsuit when the City is clearly in the right based on the court transcripts? Sounds like bullying on the part of FFX Water.

The City was invited by Judge Buchanan, a federal judge, to mediate and seek a solution rather than litigate the case. It was Judge Buchanan's opinion that the lawsuit could go in favor of Fairfax County's ordinance being valid and if so, the City would be in an even worse position relative to a settlement. As such, Judge Buchanan urged the City Council to consider a full range of proposals from Fairfax Water. There is no certainty for this case and the City may not prevail.

39. Will the City be responsible to cover CIP costs for improvements FFX Water deems necessary to the water system the same as we did when Fairfax County

upgraded the wastewater system and the City was hit with a 20 million+ bill for "our share?"

The simple answer is no. The framework for moving the City Water Utility to Fairfax Water requires the City to purchase capacity in their treatment and transmission system. Once capacity is purchased on behalf of each and every existing customer, Fairfax Water will be fully responsible for any further CIP costs associated with the retail service. Once transferred, the water utility will no longer be under the City and thus the City will have no financial responsibility. The transferred customers will be served by Fairfax Water. This is different from the wastewater utility from the standpoint that the City has purchased treatment services from the County and continues to run the retail business. Thus as a wastewater treatment capacity owner, the City has to pay its share of plant improvements at the Noman Cole Facility. This is accomplished through wastewater rates, collect the needed revenue from each customer on a consumption basis.

40. County uses chloramines to disinfect the water and City currently uses chlorine. It is understood that chloramines cause the lead from pipes to leach into the drinking water. There City water lines that contain lead but more so customer piping contains lead being that the houses are older in the City. Since homeowners are responsible for the lines from the main to the house customers will be forced to spend thousands upgrading their plumbing.

Current theory is that free chlorine sequesters lead within the system. Thus, use of mono-chloramines results in the absence of free chlorine. Thus, it is not the presence of mono-chloramines that contributes to leaching of lead in lead pipes and leaded solder.

As of January 4, 2013, new plumbing regulations will demand that all fixtures are lead-free. Of course that does not help existing situations where homes have lead pipe (predominantly before 1955) or lead solder (before 1986). Because of the commonality of lead solder piping in most of the older homes, the EPA regulates lead content via the Safe Water Drinking Act. The Act regulates that the 90th percentile Action Level is 15 parts per billion. The sample is a "first draw:" sample and is taken in the home, not the street. Most homes built before 1950 used lead piping itself. Copper piping with lead solder was used up to 1986, when lead solder was banned. Thus homes built after 1986 do not have lead-leaching potential unless they use copper or brass fixtures.

Because lead is measured on first draw, we know that the distribution treatment program managed by Fairfax Water is very effective. Annual water quality reports affirm no lead problems in the home year after year.

41. Without the income from the Water revenue that supports other departments how will those costs be covered? Bonds? Raise taxes?

The income to the general fund that is currently derived from the water utility is from three sources; telecommunication fees from the water towers, the management fee, and the utility tax. While a portion of such revenue will be transferred to the wastewater utility, the majority of the fess will be collected by other means as decided by the City Council. The water utility tax may still be applied to the water infrastructure and management fees which will no longer be charged to the water utility and this loss to the general fund will be derived from other taxes or fees to be decided. Note that the \$340 annual cost for water for the typical City residential customer is based on recouping \$89 for the lost revenue.

42. Why are we paying the County 20 million to take us over? The City has made many improvements to the water lines and installation of new radio read meters why isn't the City being compensated for that?

The Fairfax Water framework requires the City to purchase water capacity from its treatment and transmission system at the price of \$39 million. The City will be compensated \$19 million for the current infrastructure within Fairfax County. This infrastructure will be transferred to Fairfax Water upon final negotiation and ratification of the purchase agreement. The concept behind the purchase is that current customers paid for the water infrastructure and each should benefit equally. The capacity is based on maximum daily demand for the entire service area rather than by meter size. This results in a savings for the buy-in charge.

43. If sale of the treatment plant is to cover that cost who is buying it and when? Is there a commitment for someone to buy it?

The General Manager of Loudoun Water has expressed an earnest interest. Loudoun Water will provide a Letter of Intent if the City Council decides to sell the facilities via public vote.

44. How come we can't be wholesale customers and keep our Utility intact like Vienna did? Vienna did not have to let one employee go. Why is that option not being presented and considered. It must be a cost effective option.

City Council requested a financial evaluation of the three options; stay in the business; purchase water from Fairfax Water yet remain in the retail distribution business; or transfer the utility to Fairfax Water. Based on current dollars and CIP estimates the range of options resulted in the following annual costs for City residential customers:

Stay in the business	\$894 per year
Retail distribution	\$674 per year
Fairfax Water retail	\$340 per year

45. Why are the citizens not given the chance to vote on this issue?

The City Charter does not require a vote. Given the deadline imposed by the federal Court, a public outreach was deemed the most feasible and reasonable process for the decision.

46. Do the employees have an “enforceable guaranteed employment agreement” from Fairfax Water when they are let go from the City?

The three-year employment agreement is a framework condition documented as part of the mediation. It is essentially enforceable and must be achieved to satisfy the federal court. If approved by the City Council, details will be negotiated to ensure each and every City employee is “made whole”, both in terms of annual salary as well as benefits currently enjoyed. Should other department positions open, the City will rehire employees of the water utility who are competent for the open position.

47. Is there documentation to show how these future price increases were calculated? For instance, the 9.5% increase this year when the increase has been 7.5% the last couple years?

Cost of service justification is based solely on the need for revenue to pay for bonds should the City Council decide to stay in the treatment and retail business. This percentage increase keeps the change under 10% but is required for a period of seven years to reach the annual income to fully finance a \$45 million CIP program.

48. What has changed so drastically in the last months to bring this issue up again when it was decided the citizens did not want to lose the water system?

The City experienced three major changes to the original cost estimates. These changes resulted in having to reconsider the past decision in light of financial impacts. The changes are as follows:

The past decision was based on the premise that Fairfax Water would continue the current Emergency Water Supply Agreement. This seemed reasonable due to the fact that the City was willing to reduce County customer charges as a trade-off. Fairfax Water will not agree to continuation of the Emergency Water Supply Agreement since the City has only one transmission system where current standards would require two full systems.

The County Ordinance was passed on December 7, 2011. This ordinance would require full justification of user rates by the County Board and spending \$45 million as opposed to selecting the most cost-effective solution would not be deemed justifiable.

George Mason University had the option of switching water service from the City to Fairfax Water. Such a transfer would have saved the University over 20% of current service costs and much more over future water costs. Thus in order to retain the

University the City negotiated a reduced price. This reduced price essentially transferred some costs to the remaining customers.